Zacks Equity Research

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Chesapeake Financial Shares, Inc. (CPKF - OTC)

CPKF: Third Quarter Results – Neutral

Current Recommendation	**Neutral**
Prior Recommendation	N/A
Date of Last Change	09/21/2010
Current Price (11/12/10)	$13.38
Six- Month Target Price	**$14.25**

OUTLOOK

We are maintaining our Neutral rating on Chesapeake Financial Shares, Inc. (CPKF). CPKF reported 2010 third quarter diluted EPS of $0.71, up 33% from $0.53 a year ago. This compares to our $0.59 estimate, with the outperformance primarily reflecting stronger cost controls than expected, as total noninterest expense declined 1% year over year and 4% sequentially to $6.3 million due to reduced costs for employee benefits, occupancy, ATM expense, cash flow expense, and miscellaneous expense. Net interest income increased 12% year over year to $5.6 million on a higher net interest margin, and noninterest income jumped 25% to $4.5 million, largely reflecting a $0.9 million positive swing in securities gains/losses to a $0.65 million gain in 2010's third quarter from a $0.25 million loss in the 2009 quarter. This was offset by a corresponding $0.9 million increase in the loan loss provision to $1.2 million. We are sharply increasing our diluted EPS estimates, mainly due to the third quarter overage, stronger growth in noninterest income stemming from higher estimates for merchant card income, lower losses on securities sales, and better control over operating expenses, partially offset by higher credit loss provisions. For 2010, our new estimate is $2.10 versus $1.82 previously and for 2011, it is $2.25 versus $1.92 before. CPKF trades at a premium to the Zacks small-cap bank index on a tangible book basis, which we believe is justified given CPKF's strong performance throughout the financial crisis, as well as our expectations for continued growth in EPS over 2010-2011, its strong profitability measures, and its solid dividend yield. With these positives already incorporated into the share price, we expect the stock to perform in line with the overall market over the next six months; hence, our Neutral recommendation.

SUMMARY DATA

52-Week High	**$14.50**
52-Week Low	**$12.50**
One-Year Return (%)	**-2.15**
Beta	**0.10**
Average Daily Volume (sh)	**370**
Shares Outstanding (mil)	**3**
Market Capitalization ($mil)	**$37**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**40**
Annual Cash Dividend	**$0.44**
Dividend Yield (%)	**3.29**
5-Yr. Historical Growth Rates	
Net Revenue (%)	**8.2**
Earnings Per Share (%)	**8.6**
Dividend (%)	**8.4**
P/E using TTM EPS	**6.5**
P/E using 2010 Estimate	**6.4**
P/E using 2011 Estimate	**5.9**
Zacks Rank	**N/A**

Risk Level	**Average**
Type of Stock	**Small-Value**
Industry	**Banks-Southeast**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Net Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2008	7.6 A	8.0 A	8.0 A	7.9 A	31.5 A
2009	7.5 A	8.0 A	8.6 A	8.9 A	33.0 A
2010	8.2 A	8.6 A	10.2 A	9.2 E	36.2 E
2011					37.1 E

Earnings per Share
(EPS is operating earnings before nonrecurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2008	0.34 A	0.49 A	0.38 A	0.39 A	1.60 A
2009	0.33 A	0.41 A	0.53 A	0.45 A	1.77 A
2010	0.42 A	0.48 A	0.71 A	0.49 E	2.10 E
2011					2.25 E

Quarterly EPS may not add to total due to changes in shares outstanding.

THIRD QUARTER RESULTS

We are maintaining our Neutral rating on Chesapeake Financial Shares, Inc. (CPKF). CPKF reported 2010 third quarter diluted EPS of $0.71, up 33% from $0.53 a year ago. This compares to our $0.59 estimate, with the outperformance primarily reflecting stronger cost controls than expected, as total noninterest expense declined 1% year over year and 4% sequentially to $6.3 million due to reduced costs for employee benefits, occupancy, ATM expense, cash flow expense, and miscellaneous expense.

Net interest income increased 12% year over year to $5.6 million on a higher net interest margin, and noninterest income jumped 25% to $4.5 million, largely reflecting a $0.9 million positive swing in securities gains/losses to a $0.65 million gain in 2010's third quarter from a $0.25 million loss in the 2009 quarter. This was offset by a corresponding $0.9 million increase in the loan loss provision to $1.2 million.

We are sharply increasing our diluted EPS estimates, mainly due to the third quarter overage, stronger growth in noninterest income stemming from higher estimates for merchant card income, lower losses on securities sales, and better control over operating expenses, partially offset by higher credit loss provisions. For 2010, our new estimate is $2.10 versus $1.82 previously and for 2011, it is $2.25 versus $1.92 before.

CPKF trades at a premium to the Zacks small-cap bank index on a tangible book basis, which we believe is justified given CPKF's strong performance throughout the financial crisis, as well as our expectations for continued growth in EPS over 2010-2011, its strong profitability measures, and its solid dividend yield. With these positives already incorporated into the share price, we expect the stock to perform in line with the overall market over the next six months; hence, our Neutral recommendation.

Detailed quarterly and annual estimates are shown at the back of the report. Below we discuss third quarter results.

<u>Net Interest Income</u>
Net interest income increased 12% year over year to $5.6 million (and was above our $5.5 million estimate), largely the result of an 18% increase in average interest-earning assets due to growth in the securities portfolio. This was aided by a 9 basis-point increase in the net interest margin to 4.54% (versus our 4.50% estimate). The higher net interest margin was primarily due to lower deposit costs, as the Company replaced higher cost maturing CDs with those at current lower market rates.

<u>Noninterest Income</u>
Noninterest income jumped 25% to $4.5 million (and was well above our $3.6 million estimate), principally the result of a $0.9 million positive swing in securities gains/losses to a $0.65 million gain in 2010's third quarter from a $0.25 million loss in the prior-year quarter, and compares to our estimate of a $0.2 million loss on securities sales. These sales occurred in the private label mortgage securities portfolio, as the Company took advantage of very good pricing to reduce its exposure to this sector.

Other positives were strong growth in merchant card income, which rose $0.1 million, or 10%, to $1.1 million year over year as CPKF added more companies to its system, and a good gain in ATM income, which increased 14% to $0.26 million.

CPKF experienced year-over-year declines in a couple of line items. First, services charges on deposit accounts dropped $35,000, or 8%, to $0.4 million, hurt by changes in federal regulations. Second, cash flow income slumped $0.2 million, or 18%, to $0.9 million as the cash management receivables portfolio continued to shrink (average receivables down 29% year over year) due to weak demand.

<u>Loss Provisions</u>
The loan loss provision almost quadrupled rising to $1.2 million (compared to our $0.2 million estimate), while the cash management loss provision jumped 167% to $0.6 million (versus our $0.1 million

estimate) year over year, as net charge-offs, a key component in determining the amount of the loss provision, rose.

Net charge-offs for the loan portfolio jumped to $1.0 million, or 1.10% of average loans (annualized), from $0.04 million, or 0.05% of average loans (annualized), in the comparable 2009 quarter. For the cash management portfolio, net charge-offs increased to $0.2 million, or 3.87% of average cash management receivables (annualized), from $0.1 million, or 1.79% of average cash management receivables (annualized). For cash management, this also reflected one-time charges to tighten up lending standards. On a combined basis including both loans and receivables, net charge-offfs were $1.2 million, or 1.25% of average outstandings (annualized), compared to $0.2 million, or 0.17% of average outstandings (annualized), in the comparable year-ago quarter.

Noninterest Expense

Noninterest expense fell 1% year over year to $6.3 million and was well below our $6.8 million estimate, as cost control efforts were greater than anticipated, particularly in other miscellaneous noninterest expense, which was $0.6 million lower than our estimate.

There were five primary contributors to the 1% year-over-year decrease in noninterest expense: (1) a 15% decrease in employee benefits to $0.5 million due to a one-time funding charge for common share buybacks; (2) a 12% decline in occupancy to $0.7 million; (3) an 11% slump in cash flow expense to $0.1 million; (4) an 83% drop in cash flow expense to $0.04 million; and (5) an 11% decline to $1.0 million in other miscellaneous noninterest income.

Because the of the 1% fall in noninterest expense and the 17% gain in net revenue, the Company's efficiency ratio improved dramatically, declining to 62.1% compared to 73.7% in 2009's third quarter.

Net Income

CPKF posted net earnings of $1.9 million (or $0.71 per diluted share), up 31% from the $1.4 million ($0.53 per diluted share) earned in the year-ago quarter. This compares to our $1.4 million net income estimate ($0.53 per diluted share).

Profitability

CPKF posted a 19.3% ROE and 1.29% ROA for the third quarter of 2010, compared to 18.2% and 1.04%, respectively, in the prior-year quarter, largely due to higher net income.

Loans and Asset Quality

Loans plus receivables were essentially flat on a sequential basis at $387 million during the third quarter, as a 9% decline in construction and land development loans to $64 million was offset by a 9% gain in commercial and industrial loans to $56 million.

Asset quality measures improved markedly on a sequential basis, with nonperforming assets (NPAs) decreasing to 2.32% of outstandings + OREO at September 30, 2010 from 2.87% at June 30, 2010. While nonaccrual loans and receivables fell by 46% to $4.4 million at the end of September from $8.2 million at June 2010 quarterend, foreclosures increased to $4.7 million from $3.0 million, for a net fall in nonperforming assets of $2.1 million. The large decline in nonaccrual loans and receivables reflected three factors: (1) a $1.7 million addition to OREO; (2) net charge-offs of $1.2 million; and (3) the addition of $1.0 million in loans to restructured loans that are currently in compliance with revised terms.

The loss allowance as a percent of nonperforming assets increased to 74% at the end of the quarter from 60% at the end of June 2010, principally reflecting a decline in nonperforming assets. In addition, regulators are pressuring banks in general to strengthen loss reserves. Thus, the combined loss allowance for both loans and cash management increased to $6.7 million, or 1.74% of gross outstandings, from $6.3 million, or 1.59% of gross outstandings, at the end of the prior-year quarter.

Liquidity and Funding
CPKF decreased cash by roughly $10 million during the third quarter and increased the securities portfolio by a similar amount. The Company continues to emphasize investing in the municipal and government mortgage-back securities sectors, while pulling back from private-label mortgage securities, which now represent 23% of the total securities portfolio, down 8 points from 31% at the end of 2009. CPKF's liquidity and funding ratios were stable in the third quarter.

Capital Adequacy and Dividends
The Company's capital adequacy ratios improved during the quarter. The Tier 1 capital ratio jumped 114 basis points to 11.58% at the end of 2010's third quarter from 10.61% at June 30, 2010, and the Total capital ratio increased 92 basis points to 13.11% from 12.23%, largely due to growth in retained earnings.

CPKF announced a quarterly dividend of $0.11, payable on December 15, 2010 to shareholders of record on December 1, 2010.

OVERVIEW

Chesapeake Financial Shares, Inc. (CPKF or the Company) is a bank holding company headquartered in Kilmarnock, Virginia, with $605 million in total assets at September 30, 2010. CPKF is predominantly a small business lender with 11 branch offices that serve customers in the eastern region of Virginia between the Potomac and James Rivers. These offices are located in Kilmarnock, Lively, Irvington, Mathews, Hayes, and Gloucester, with four branches in Williamsburg. CPKF, which began as Lancaster National Bank on April 13, 1900, has a long history and strong ties with the communities it serves.

Operations are carried on through Chesapeake Bank, a state-chartered bank as well as Federal Reserve and FDIC member bank, and Chesapeake Investment Group, Inc. (CIG), an independent wealth management firm that manages about $365 million in assets through its subsidiaries involved in asset management (CIG is a registered investment adviser), brokerage, and trust services. Other activities of the Company include Chesapeake Payment Systems, Cash Flow program, Clear Sky accounts, and its secondary market mortgage banking operation.

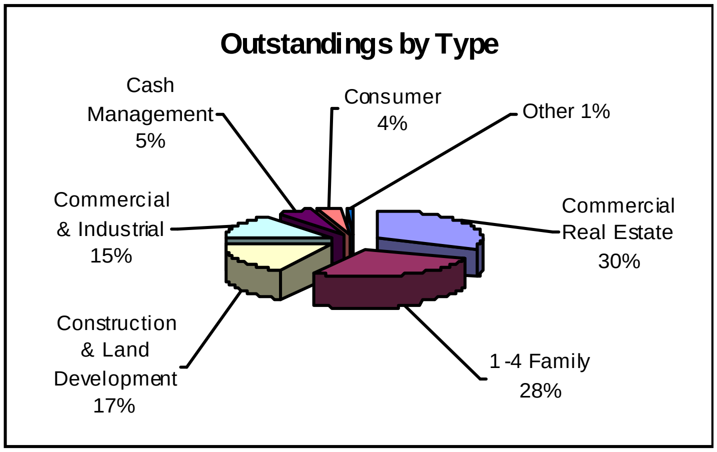
Chesapeake Payment Systems offers merchant processing services such as credit card and debit card processing, electronic benefits transfers, and loyalty and gift card processing to companies involved in travel, entertainment, restaurant, hospitality, retail, mail order, and e-commerce. At yearend 2009, Chesapeake Payment Systems had over 700 merchants in its system and processed over $115 million in merchant card transactions.

The Cash Flow program, which provides an attractive financing option to growing businesses, involves the purchase of the client company's accounts receivables. The Cash Flow program is currently offered in the Eastern half of the United States and has approximately 80 customers.

Clear Sky accounts, which offer internet-based retail deposit services for checking and saving accounts and certificates of deposit (CDs), expands CPKF's retail deposit base geographically.

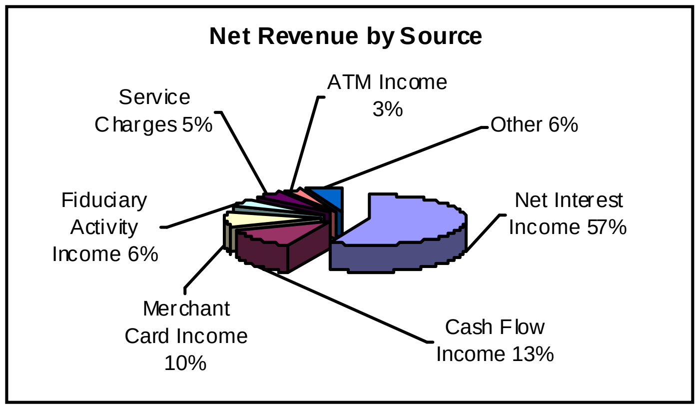
Through Chesapeake's secondary market mortgage banking operation, the Company services a $155 million loan portfolio of residential mortgage loans for Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), for which it earns a 25 basis-point fee (approximately $375,000 annually) on the outstanding loan portfolio balance. Additionally, CPKF earns a pare-off fee for residential mortgage loans that are originated and closed with FHLMC, which added $620,000 to revenues in 2009 (both types of fees are included in other noninterest income in the Company's financial statements).

The lending portfolio is dominated by real estate loans, as shown in the chart below. At September 30, 2010, the lending book consisted of commercial real estate (accounting for 30% of total gross outstandings), 1-4 family (28%), construction and land development (17%), commercial and industrial (15%), cash management (5%), consumer (4%), and other (1%). A majority of loans are secured, usually by real estate, inventory, accounts receivable, equipment, machinery, or corporate assets.



The liquidity portfolio, consisting of cash, short-term investments, federal funds sold, resale agreements, trading account assets, US Treasuries, and US agency mortgage obligations, has declined on a relative basis, and is now about 11% of total assets. This was due to CPKF's shift in the available-for-sale securities portfolio into higher yielding municipal and private label mortgage securities, which currently account for approximately 12% and 6% of total assets, respectively (versus 7% and 0%, respectively, in 2005). Core deposits represented 77% of total deposits at September 30, 2010, with certificates of deposit larger than $100,000 at 23%.

In 2009, net interest income contributed 57% of net revenue, with a large 43% coming from noninterest income sources. Significant contributors to noninterest income include cash flow income (13% of net revenues), merchant card income (10%), income from fiduciary activities (6%), service charges on deposit accounts (5%) and ATM income (3%).



VALUATION

CPKF stock has underperformed the industry, with a year-to-date price decline of 5.4% compared to a median increase of 7.0% for banks in the Zacks small-cap index, as shown in the following table. At its current price, CPKF is trading at discounts to the industry median P/E of 58% in 2010 and 56% in 2011, based upon our CPKF EPS estimates. This is far in excess of the average 35% P/E discount for CPKF, based upon 5-year historical P/E averages.

Turning to Price/Tangible Book Value, CPKF is valued at 0.9X versus the industry median of 0.7X. This represents a 28% premium versus an average historical premium of about 17% for CPKF since the end of 2005. We believe this premium is justified given CPKF's strong performance throughout the financial crisis, as well as our expectations for continued growth in EPS over 2010-2011, its strong profitability measures, and its solid dividend yield. With these positives already incorporated into the share price, we expect the stock to perform in line with the overall market over the next six months. Therefore, we recommend a Neutral on CPKF shares.

Industry Comparables- Small-cap Banks

			Price / Earnings Ratios				Return on Equity		Return on Assets		
	Pr Chg YTD	TTM* EPS	2010E	2011E	5-Yr Avg	Price/ Book	TTM*	5-Yr Avg	TTM*	5-Yr Avg	Div Yld
Chesapeake Finc'l	**(5.4)**	**6.5**	**6.4**	**5.9**	**10.2**	**0.9**	**14.1**	**13.8**	**0.95**	**0.92**	**3.3**
S&P 500	7.5	21.1	15.0	13.2	18.2	3.4	22.7	-----	8.9	-----	1.9
Median	**7.0**	**15.8**	**15.5**	**13.4**	**15.6**	**0.7**	**2.8**	**5.0**	**0.21**	**0.44**	**-----**
Average	9.6	31.7	28.6	18.2	19.2	0.7	(5.8)	3.1	(0.10)	0.43	1.3
High	259.1	353.3	268.0	117.1	38.1	1.6	15.6	16.2	2.04	2.67	5.8
Low	(67.1)	5.1	7.3	6.8	10.4	0.2	(128.2)	(24.3)	(5.13)	(1.46)	-----

*Trailing twelve months

Chesapeake Financial Shares, Inc.

Income Statement and Balance Sheet

(Dollars in millions, except per share data)

Summary Financial Data	**12/05**	**12/06**	**12/07**	**12/08**	**12/09**	**12/10 E**	**12/11 E**
Net interest income	14.2	14.3	14.5	16.5	18.9	21.8	22.1
Non-interest income	9.9	11.6	13.5	15.0	14.1	14.4	15.0
Total net revenue	24.1	25.9	28.0	31.5	33.0	36.2	37.1
Loan loss provision	1.0	0.8	0.2	0.4	0.9	2.2	2.1
Non-interest expense	18.2	19.6	21.8	25.0	25.9	26.1	26.5
Income taxes & other	1.2	1.5	1.7	1.5	1.4	2.1	2.3
Zacks adjusted income before NRI	3.7	4.0	4.3	4.6	4.8	5.8	6.2
GAAP net income	3.7	4.0	4.3	4.6	4.8	5.8	6.2
Diluted EPS before NRI	1.23	1.34	1.49	1.60	1.77	2.10	2.25
Reported EPS	1.23	1.34	1.49	1.60	1.77	2.10	2.25
Dividends per share	0.30	0.32	0.35	0.41	0.42	0.43	0.44
Liquid assets	37.2	52.9	58.4	45.4	57.8	70.9	73.8
Outstandings, gross	299.9	319.4	361.6	396.2	391.3	383.5	403.0
Total assets	382.7	418.1	483.0	538.0	586.7	605.7	630.3
Core deposits	275.9	295.2	308.8	317.0	370.0	390.5	406.8
Purchased funds	52.7	73.7	80.0	115.9	126.7	120.0	120.0
Long-term debt	16.7	11.6	44.4	65.5	47.4	40.0	45.0
Shareholders' equity	28.6	31.0	33.7	30.6	35.3	43.4	48.4
Profitability							
Return on avg assets	0.98%	0.98%	0.97%	0.89%	0.84%	0.96%	1.00%
Return on avg equity	13.69%	13.58%	13.68%	13.51%	13.14%	14.70%	13.45%
Net interest margin	4.80%	4.20%	4.10%	4.00%	4.10%	4.49%	4.43%
Loan loss provision % avg assets	0.26%	0.21%	0.04%	0.08%	0.16%	0.36%	0.34%
Noninterest income % avg assets	2.62%	2.88%	3.01%	2.91%	2.45%	2.38%	2.43%
Noninterest expense % avg assets	4.83%	4.86%	4.87%	4.84%	4.51%	4.32%	4.29%
Preprovision pretax income % avg assets	1.57%	1.54%	1.39%	1.26%	1.24%	1.67%	1.72%
Tangible efficiency ratio	75%	76%	78%	79%	78%	72%	71%
Payout ratio	25%	24%	23%	25%	24%	20%	20%
Asset Quality							
Net charge-offs % avg outstandings	0.15%	0.28%	0.04%	0.27%	0.34%	0.46%	0.56%
Allowance % outstandings	1.60%	1.55%	1.50%	1.43%	1.59%	1.85%	1.98%
NPAs % loans + OREO	1.42%	1.00%	0.61%	0.35%	1.20%	2.60%	2.23%
Allowance % NPAs	113%	154%	245%	411%	131%	70%	88%
Liquidity & Funding							
Liquid assets % purchased funds	71%	72%	73%	39%	46%	59%	61%
Core deposits % outstandings	92%	92%	85%	80%	95%	102%	101%
Liquid assets % assets	10%	13%	12%	8%	10%	12%	12%
Outstandings % assets	78%	76%	75%	74%	67%	63%	64%
Capital Adequacy							
Total equity % assets	7.47%	7.41%	6.97%	5.68%	6.01%	7.17%	7.68%
Tangible equity % assets	7.47%	7.41%	6.97%	5.68%	6.01%	7.17%	7.68%
Tier 1 capital ratio	10.98%	11.10%	10.80%	10.60%	10.10%		
Total capital ratio	12.45%	12.50%	15.50%	12.50%	11.70%		
Parent Company Statistics							
Interest coverage	1.1X	0.8X	0.4X	0.6X	0.8X	1.0X	1.0X
Interest & dividend coverage	0.9X	0.5X	0.3X	0.3X	0.4X	0.5X	0.5X
Short-term debt coverage	Lge	Lge	Lge	Lge	Lge	Lge	Lge
Total debt coverage	1.0X	1.0X	1.0X	0.9X	0.8X	1.1X	1.4X
Double leverage	124.5%	127.3%	133.2%	139.8%	142.1%	128.7%	128.2%

Chesapeake Financial Shares, Inc.

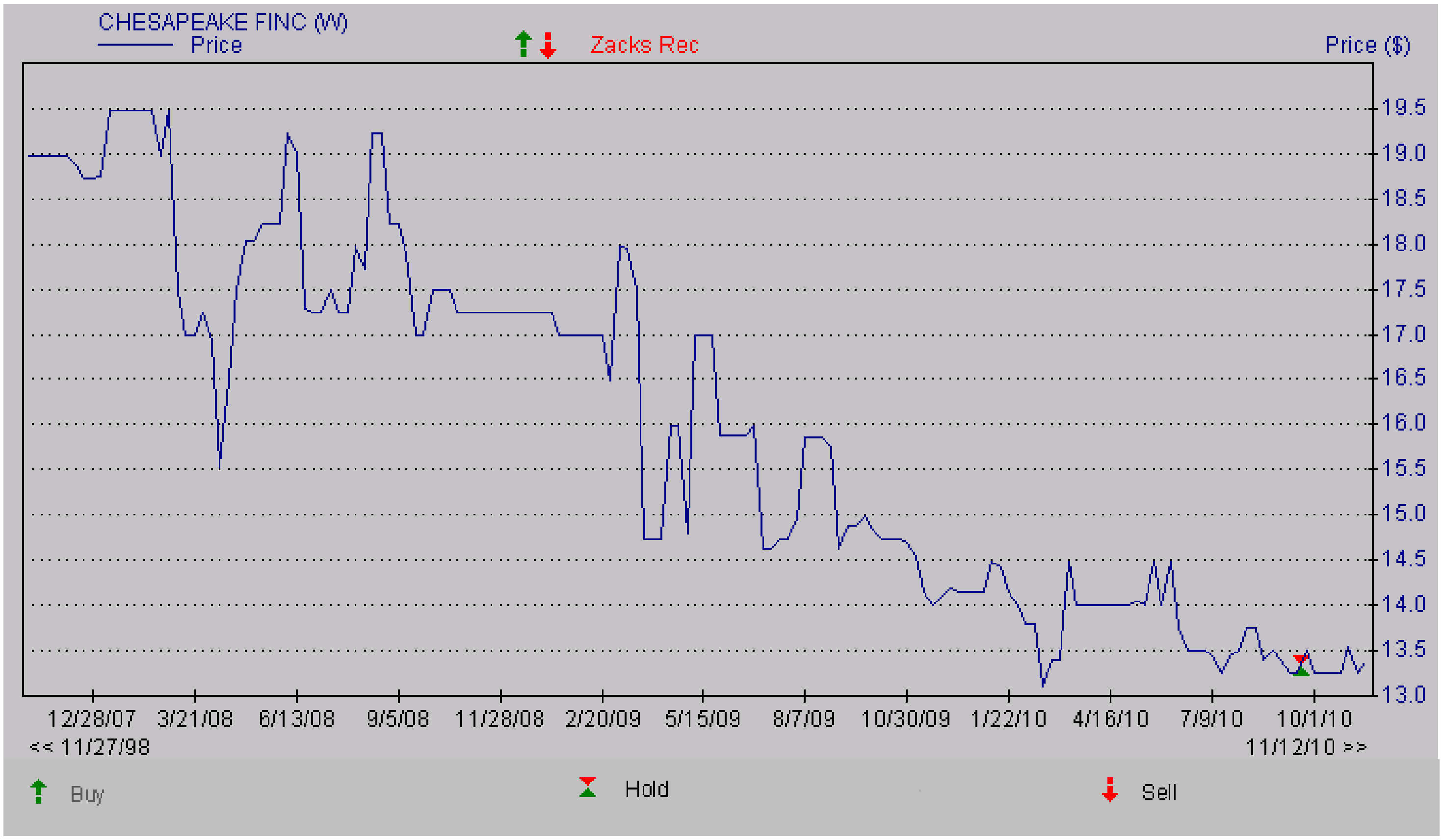
Income Statement and Balance Sheet

(Dollars in millions, except per share data)

	2009				2010			
Summary Financial Data	**Q1 A**	**Q2 A**	**Q3 A**	**Q4 A**	**Q1 A**	**Q2 E**	**Q3 A**	**Q4 E**
Net interest income	3.9	4.6	5.1	5.5	5.2	5.5	5.6	5.5
Non-interest income	3.6	3.4	3.6	3.4	3.0	3.1	4.6	3.7
Total net revenue	7.5	8.0	8.7	8.9	8.2	8.6	10.2	9.2
Loan loss provision	0.2	0.1	0.3	0.4	0.2	0.2	1.2	0.6
Non-interest expense	6.1	6.3	6.4	7.1	6.4	6.6	6.3	6.8
Income taxes & other	0.3	0.4	0.5	0.1	0.4	0.5	0.8	0.5
Zacks adjusted income before NRI	0.9	1.2	1.5	1.3	1.2	1.3	1.9	1.3
GAAP net income	0.9	1.2	1.5	1.3	1.2	1.3	1.9	1.3
Diluted EPS before NRI	0.33	0.41	0.53	0.45	0.42	0.48	0.71	0.49
Reported EPS	0.33	0.41	0.53	0.45	0.42	0.48	0.71	0.49
Dividends per share	0.10	0.10	0.10	0.10	0.10	0.10	0.11	0.11
Liquid assets	105.2	52.9	53.6	57.8	74.9	73.1	69.2	70.9
Outstandings, gross	387.5	389.2	395.2	391.3	391.5	388.4	387.3	383.5
Total assets	598.2	563.5	580.3	586.7	608.5	604.3	605.1	605.7
Core deposits	384.0	358.8	375.4	370.0	388.6	391.9	390.1	390.5
Purchased funds	116.4	114.2	108.4	126.7	125.4	119.9	117.9	120.0
Long-term debt	52.6	52.5	53.7	47.4	44.5	41.4	40.5	40.0
Shareholders' equity	27.1	29.7	35.6	35.3	36.9	38.2	42.4	43.4
Profitability								
Return on avg assets*	0.66%	0.80%	1.04%	0.87%	0.78%	0.88%	1.29%	0.88%
Return on avg equity *	12.93%	16.33%	18.15%	14.24%	12.87%	14.16	19.29	12.38%
Net interest margin*	3.59%	4.09%	4.44%	4.71%	4.36%	4.53%	4.54%	4.55%
Loan loss provision % avg assets*	0.11%	0.07%	0.17%	0.27%	0.16%	0.10%	0.78%	0.40%
Noninterest income % avg assets*	2.54%	2.37%	2.53%	2.33%	2.02%	2.02%	3.00%	2.46%
Noninterest expense % avg assets*	4.29%	4.32%	4.46%	4.88%	4.27%	4.35%	4.17%	4.50%
Preprovision pretax inc.% avg assets*	1.00%	1.16%	1.59%	1.20%	1.23%	1.30%	2.54%	1.60%
Tangible efficiency ratio	81%	79%	74%	80%	78%	77%	62%	74%
Payout ratio	32%	25%	20%	23%	25%	22%	16%	23%
Asset Quality								
Net charge-offs % avg outstandings*	0.11%	0.04%	0.17%	1.02%	0.10%	(0.00)%	1.25%	0.73%
Allowance % outstandings	1.50%	1.53%	1.59%	1.59%	1.65%	1.73%	1.74%	1.85%
NPAs % loans + OREO	0.38%	0.66%	1.17%	1.20%	2.46%	2.87%	2.32%	2.60%
Allowance % NPAs	392%	229%	136%	131%	67%	60%	74%	70%
Liquidity & Funding								
Liquid assets % purchased funds	90%	46%	49%	46%	60%	61%	59%	59%
Core deposits % outstandings	99%	92%	95%	95%	99%	101%	101%	102%
Liquid assets % assets	18%	9%	9%	10%	12%	12%	11%	12%
Outstandings % assets	65%	69%	68%	67%	64%	64%	64%	63%
Capital Adequacy								
Total equity % assets	4.53%	5.27%	6.14%	6.01%	6.07%	6.33%	7.01%	7.17%
Tangible equity % assets	4.53%	5.27%	6.14%	6.01%	6.07%	6.33%	7.01%	7.17%
Tier 1 capital ratio	10.27%	10.46%	10.44%	10.06%	10.19%	10.61%	11.58%	
Total capital ratio	12.14%	12.29%	12.19%	11.73%	11.87%	12.23%	13.11%	

*Annualized.

HISTORICAL ZACKS RECOMMENDATIONS



DISCLOSURES

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